Macro: Current account deficit of $10.0 billion in 2024

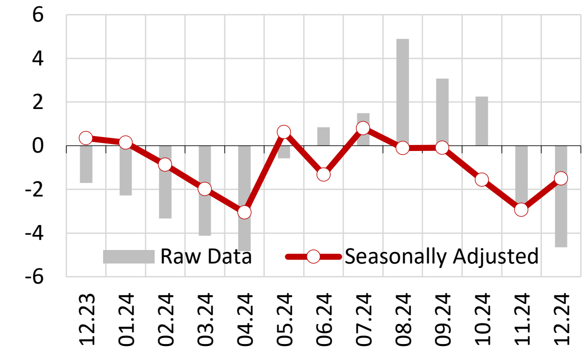
The current account deficit came in at $4.65 billion in December, above our forecast, and totaled $10 billion for the year (0.75% of GDP), close to the level we have been reporting in recent months. As a result, the current account deficit in 2024 improved by about $30 billion compared with 2023. Of this improvement, $12.1 billion came from the decline in net gold imports, $3.7 billion from the decline in net energy imports, and $14.2 billion from the increase in the core current account (excluding gold and energy).

On a seasonally adjusted basis, the trend in the current account deteriorated markedly in the last quarter, despite the improvement in December. The annualized current account deficit implied by the seasonally adjusted data last quarter was $24 billion, well above the current level, for 2025. Despite the expected moderate growth rate, we expect the deterioration in the trend of the current account deficit to continue in 2025 due to the real appreciation of the TL. Accordingly, we expect the current account deficit to widen to $28 billion (2.0% of GDP) in 2025.

Current Account Balance:

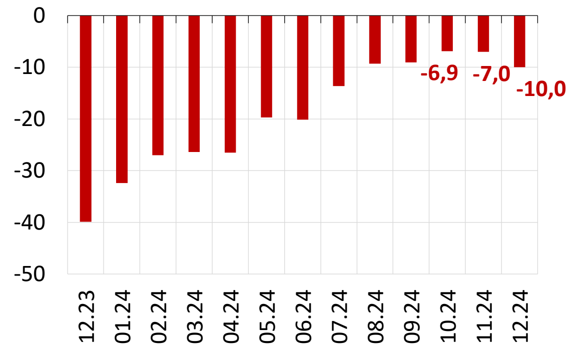
The current account deficit was slightly higher than forecast at $4.65 billion in December (Akbank: -$4.0 bn, Forex median: -4.0 bn, Bloomberg HT: 4.0 bn)**.** According to seasonally adjusted (s.a.) data, the current account balance improved in December (Charts 1 and 3). The core balance, which excludes gold and energy, also improved (Charts 3, 5 and 6).

Chart 1. Current Account Balance (bn $)



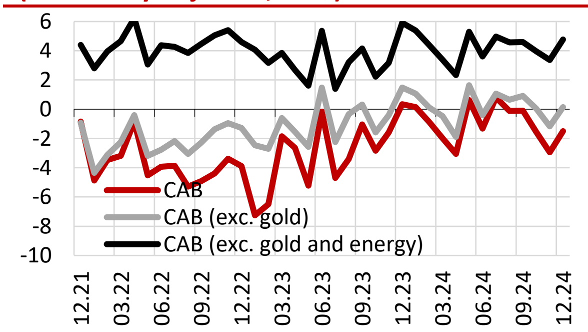
Source: CBRT, Akbank

Chart 2. Current Account Balance (12-month cumulative, bn $)



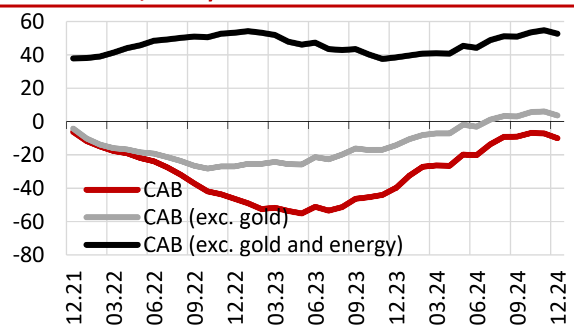
Source: CBRT

Chart 3. Current Account Balance (CAB) (seasonally adjusted, bn $)



Source: CBRT, Akbank

Chart 4. Current Account Balance (12-month cumulative, bn $)



Source: CBRT

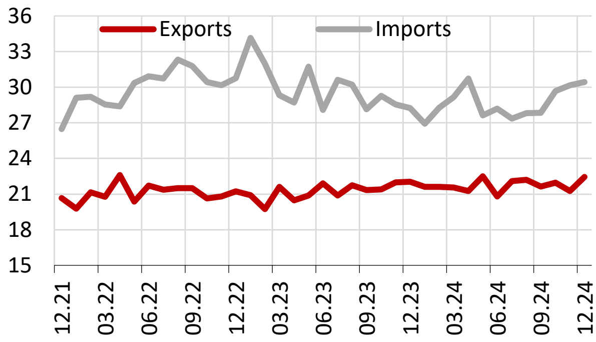
Data for the first 11 months of 2024 were revised upwards by $0.3 billion**. As a result, the current account deficit in 2024 was $9.97 billion (0.75% of GDP).** In 2023, the deficit was $39.9 billion (3.5% of GDP) (Table 1, Chart 2). Of the almost $30 billion improvement in the current account deficit, $12.1 billion was due to the decline in net gold imports, $3.7 billion to the fall in net energy imports and

$14.2 billion to the increase in the core (excluding gold and energy) current account. The current account surplus excluding gold and energy increased from $38.5 billion in 2023 to $52.7 billion in 2024 (Chart 4). In the core current account balance, the services balance improved by $4.7 billion, while the primary and secondary income balance deteriorated by $4.8 billion. Thus, the improvement in the core current account balance was driven by the goods balance excluding gold and energy.

Trade Balance:

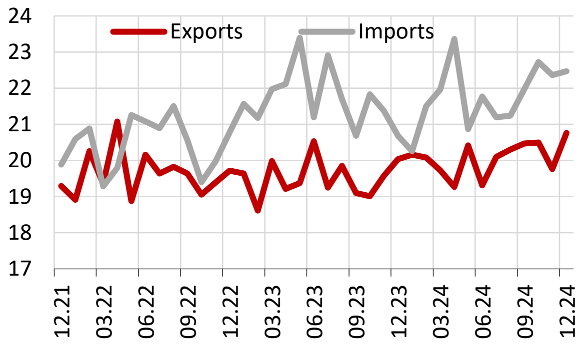
The deterioration in the foreign trade balance (s.a.) paused in December (Chart 6). On a monthly basis, both exports and imports increased, but the increase in exports was higher. The improvement in the external balance was stronger excluding gold and energy (Charts 3, 5 and 6) (Macro: Underlying trend of external balance deteriorated in the last quarter).

Chart 5. Exports and Imports (seasonally adjusted, bn $)



Source: CBRT, Akbank

Chart 6. Foreign Trade excluding Gold and Energy (seasonally adjusted, bn $)



Source: CBRT, Akbank

Services Balance:

The balance of services (s.a.) recorded a monthly increase (Chart 7). The transportation item continued to deteriorate, while the travel balance posted a limited deterioration. Therefore, the rise in services revenues was driven by other services items (Chart 8). In 2024, services revenues reached $115.2 billion (Chart 9). In 2023, it was $106.6 billion. Travel revenues increased from $50.1 billion in 2023 to $56.3 billion in 2024.

Chart 7.Services Balance (seasonally adjusted, billion $)

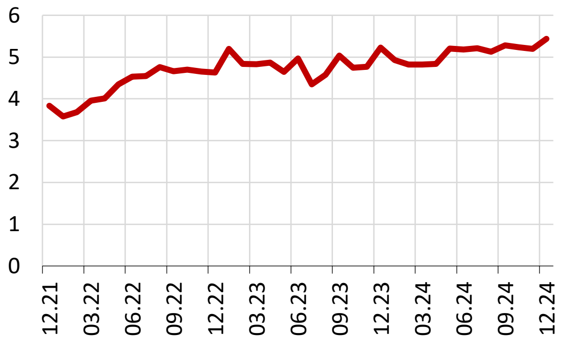


Chart 8. Services Balance (seasonally adjusted, billion $)

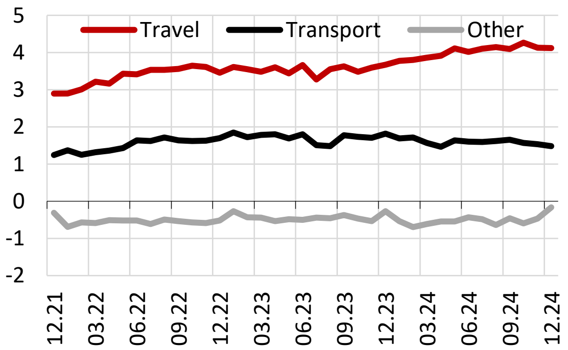
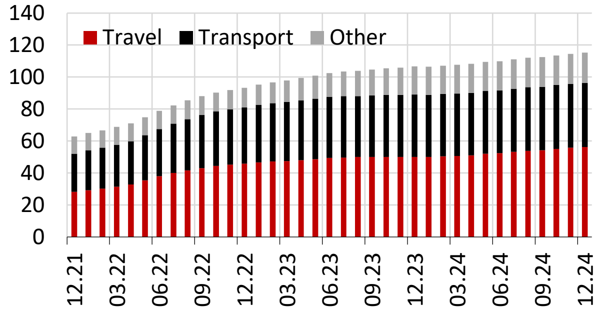
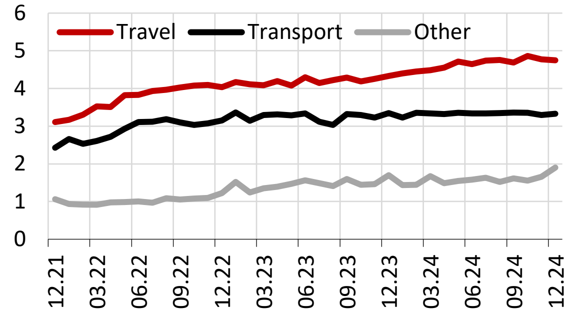


Chart 9. Services Credit (12-month cumulative, bn $)



Source: CBRT

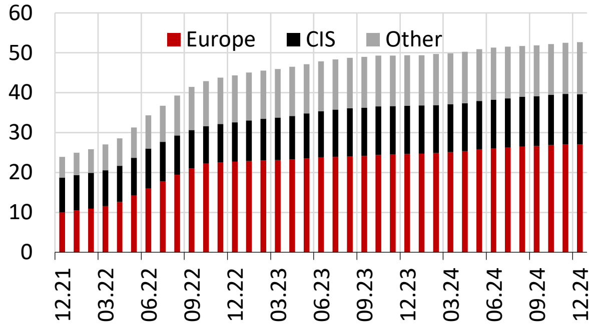
Chart 10. Services Credit (seasonally adjusted, bn $)



Source: CBRT, Akbank

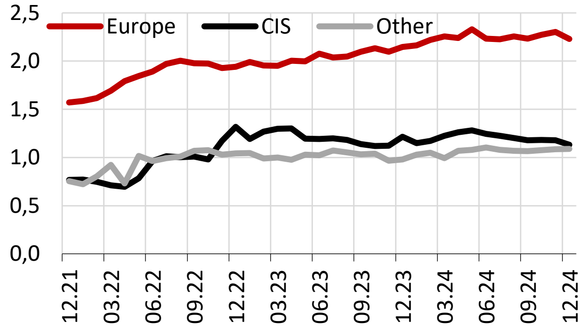
The number of foreign visitors (s.a) decreased by 2.5% in December after two months of increase. Thus, it remained almost flat on a quarterly basis in the last quarter. In December, arrivals from Europe, CIS and Asia decreased, while arrivals from the Americas and Africa increased (Charts 11 and 12).

Chart 11. Foreign Visitors (12-month cumulative, million people)



Source: CBRT

Chart 12. Foreign Visitors (seasonally adjusted, million people)



Source: CBRT, Akbank

According to the provisional data for January released by the Ministry of Trade, foreign trade balance continued to deteriorate on an annual basis, while some improvement was recorded on a monthly basis (s.a). Exports increased by 5.8% yoy to $21.2 billion while imports rose by 10.2% yoy to $28.8 billion. Thus, foreign trade deficit increased by 1.5 billion USD yoy to 7.7 billion USD in January, while 12-month cumulative foreign trade deficit widened from 82.2 billion USD to 83.7 billion USD. (Macro: Moderate improvement in the underlying trend of external balance)

In the last quarter, the annualized current account deficit implied by seasonally adjusted data is around $24 billion. Despite the expected moderate growth rates, we expect a deterioration in the current account deficit trend in 2025 due to the real appreciation of the TL. Our 2025 current account deficit forecast is $28.0 billion (2.0% of GDP). Risks to forecasts from geopolitical developments and customs tariffs remain.

Table 1. Current Account Balance (Million $)

	Monthly		Yearly	
	Dec.24	Dec.23	2024	2023
Current Account Balance	**-4.650**	**-1.710**	**-9.973**	**-39.877**
Foreign Trade Balance	**-6.243**	**-4.540**	**-56.258**	**-86.280**
Export*	23.286	22.611	257.507	250.999
Gold	355	450	3.481	4.329
Export (exc. gold)	22.931	22.161	254.026	246.670
Import*	29.529	27.151	313.765	337.279
Gold	2.001	1.586	17.101	30.015
Energy	6.804	6.652	65.590	69.114
Import (exc. gold and energy)	20.724	18.913	231.074	238.150
Service Balance	**3.148**	**2.920**	**61.992**	**57.266**
Services Credit	8.874	8.210	115.249	106.589
Transport	3.283	3.331	39.875	38.931
Travel	2.863	2.399	56.311	50.063
Other	2.728	2.480	19.063	17.595
Services Debit	5.726	5.290	53.257	49.323
Transport	1.824	1.428	20.794	18.524
Travel	721	764	7.358	7.906
Other	3.181	3.098	25.105	22.893
Primary Income**	**-1.555**	**-90**	**-15.707**	**-10.863**
Current Account Balance (exc. gold)	**-3.004**	**-574**	**3.647**	**-14.191**
Current Account Balance (exc. energy)	**820**	**3.398**	**39.080**	**12.848**
Current Account Balance (exc. gold and energy)	**2.466**	**4.534**	**52.700**	**38.534**

* Balance of payments-defined values

** The sum of primary and secondary income

Source: CBRT

Financing:

- CBRT announced a revision on the financing side of the balance of payments statistics (CBRT Announcement). Accordingly, the content of the Net Asset Acquisition and Net Liability Formation items of Portfolio Investments has been revised since 2006. As a result, it is stated that the related items have been revised retrospectively according to the transactions carried out "only by non-residents". Accordingly, while a total outflow of $ 14.9 billion was observed from portfolio investments in the 2020-2023 period before the revision, the outflow figure increased to $ 30.2 billion after the revision.

- While the current account balance posted a deficit of $4.65 billion in December, there was a capital inflow of $3.05 billion. With the inflow of $57 million to the net errors and omissions item, **reserves decreased by $1.6 billion (Table 2)**. On the financing side, there was a net inflow of $1.1 billion in direct investments (FDI), an outflow of $1.5 billion in portfolio investments and an inflow of $3.4 billion in other investments (Table 2).

- In 2024, the current account balance posted a deficit of $10.0 billion, while capital inflows totaled $23.3 billion. With a net errors and omissions outflow of $12.7 billion, reserves increased by $493 million.

- Details on the financing side are as follows:
  - **Gross FDI inflows** totaled **$2.0 billion** in December, of which $255 million was real estate. For the whole year, total inflows were $11.3 billion ($2.8 billion of which was real estate).
    - Real estate acquisition of residents from abroad amounted to $234 million in December and $2.2 billion in the whole year.
  - **Portfolio investment** posted a net outflow of $1.48 billion in December (year-on-year inflow of $11.7 billion).
    - Inflows into equities were limited to $77 million in December, while outflows totaled $2.5 billion in the whole year.
    - Outflows from government securities amounted to $342 million in December, while inflows totaled $16.0 billion for the whole year. Foreigners' share in GDDS declined to 9.9% in December from 10.3% in November. According to CBRT's weekly securities statistics, inflows to government securities were realized in January and the share of foreigners in government securities became 10.8%
    - Regarding bond issues abroad, the general government borrowed net $297 million in December, while it borrowed net $450 million in the whole year. In December, banks borrowed $54 million while other sectors paid $95 million. For the whole of 2024, net borrowing amounted to $3.3 billion and $3.6 billion, respectively.
  - Banks borrowed net $2.8 billion in December and $25.0 billion in the whole year. The corporate sector borrowed net $1.2 billion in December and $2.9 billion in January-December period.
  - External debt rollover ratios including loans+bonds (6-month moving total) remain high at 137.0% for the banks and 150.7% for other sectors.

Table 2. Financing (Million $)

	Monthly		Yearly	
	Dec.24	Dec.23	2024	2023
Foreign Direct Investment (FDI, net)	**1.138**	**214**	**4.661**	**4.694**
Real estate	21	53	672	1.778
FDI (exc. real estate)	1.117	161	3.989	2.916
Portfolio Investment (net)	**-1.479**	**3.518**	**11.680**	**5.652**
Equity	77	1.187	-2.507	1.387
Bond	-342	1.154	16.024	2.003
Government Eurobond	-297	940	450	5.043
Banks	48	-159	3.332	506
Other Sectors	-113	499	3.913	-1.406
Other Investment (net)	**3.386**	**4.440**	**6.947**	**39.033**
Effective and Deposits	-1.623	1.858	-13.971	23.492
Loans	4.138	1.430	26.243	10.696
Banks (foreign borrowing)	2.816	-223	24.956	7.465
Other Sectors	1.211	739	2.869	910
Trade credit	866	1.260	-5.391	4.898
Reserve	**-1.557**	**1.978**	**493**	**-2.027**
Net Errors and Omissions	57	-4.476	-12.696	-11.325

Source: CBRT

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